

Patient Privacy & Quality Care: The HIPAA Story

February 8, 2001

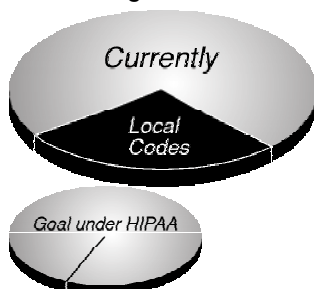
Streamlining the system



In the national health care system, health plans and health care providers spend on average 26 cents out of every dollar on administrative overhead. (NOTE: DSHS administers the Medical Assistance Administration with less than 5 percent of its funding.) The transactional changes required by HIPAA will make the overall system more efficient, cutting the expense involved in each transaction and thereby putting more health care dollars into health care.

SOURCE: Workshop for Electronic Data Interchange (WEDI)

The Coding Problem



In 1998, one-third of Washington State's Medicaid business involved payments for state unique health services billed using "Local Codes." HIPAA will prohibit a reliance on "Local Codes" by limiting them to a few hundred nationally. This is a big step toward standardizing claims payment systems, data collection, reporting, and analysis between the more than 400 computer coding and formatting systems currently in use. HIPAA may also require that Washington Medicaid change health care program design. This will impact many in the health care community. But the reward will be a more flexible, more coherent system for everyone.

PROGRAM CONTACTS
Jim Stevenson, HIPAA PIO
360.725.1937
Stevejh2@dshs.wa.gov
Kathleen Connor, HIPAA Project
Director 360.725.1256
Connokl@dshs.wa.gov

THE SAME FEDERAL LAW that guaranteed Americans the right to portability of their health benefits is now changing the health care system. The law is called "HIPAA," for Health Insurance Portability and Accountability Act.



Changes Ahead for Health Care

HIPAA will have a major impact on Washington State's public and private health care community over the next four years. It also will require many changes for DSHS, which represents nearly 30 percent of the state's overall spending. Many DSHS programs, including the Medical Assistance Administration (MAA), are health plans or health care providers under HIPAA and must comply:

- This unfunded federal mandate requires a multimillion-dollar standardization of the way health care systems in Washington State do business electronically.
- In all, experts predict that the four-year HIPAA changeover will require an unprecedented national investment and effort.
- The long-range benefit of these changes is that more of our health care dollars will be spent on health care, letting the system focus on patient issues like quality care and privacy. It improves the system for the consumer as well as the health care industry.
- Nationally, 26 cents of every health care dollar is spent on administrative overhead. HIPAA will trim this overhead in part by eliminating the more than 400 disparate systems in use now. (Also, Medicaid offers a leaner model. DSHS' current administrative overhead for MAA is less than 5 percent.)

In addition, the HIPAA changes will further protect patient privacy and enhance the security of medical information systems. Requirements now taking effect:

- Establish a national standard for formats and codes used by health plans in billings. These changes focus on health care transactions such as billing.
- Require uniform protections of personal health insurance information.
- Create verification systems to secure electronic health care information.

Deadline: Fall of 2002

HIPAA transactional changes must be implemented by October 2002. Privacy standards and security changes will likely be in place by the spring of 2003. Health entities must start testing HIPAA transactions and other changes six months prior to the final implementation deadline.

DSHS Faces Unanticipated HIPAA Costs in the Next Biennium



The first HIPAA rule was adopted in October 2000 after biennium budget request deadlines. Preliminary estimates for Medicaid systems similar to Washington's average about \$15 million to \$20 million. HIPAA's Rule 1 alone requires all covered entities, including many DSHS operations, to review every program and every document for inclusion in implementation plan.

Patient Privacy

DSHS has published rules protecting the privacy and confidentiality of information related to an individual's health, treatment or health care payment. These regulations are compliant with the requirements of HIPAA:

- Give individuals the right to receive written notice of information practices.
- Give individuals the right to access and amend their health information.
- Require health plans and providers to provide an audit trail of disclosures.
- Require health plans and providers to obtain written authorization for use of patient records for purposes other than treatment, payment or health care operations.
- Require organizations to limit any information disclosed to the minimum amount necessary.

HIPAA Assessment Funding from Current Biennium

\$1,500,000 Total

\$1,350,000 GF/F

\$150,000 GF/S

MAA current funding is being provided largely by federal sources on a 90 percent federal matching formula.

Persons with disabilities or special needs may call the HIPAA Project at 360.725.1937 and request a hard copy. This paper also is available electronically.

AGENCY PRINTED VERSIONS OF THIS DOCUMENT ARE ON RECYCLED PAPER

Privacy & Security: The Rest of HIPAA

HIPAA's changes go beyond transactional coding

Overall, the federal government is issuing a series of nine rules that will cover all health transactions, privacy, security, and national identifiers. We will have 26 months to implement each rule. A major rule on security has not yet been issued but is expected shortly.

Privacy: Because Washington State passed a Patient's Bill of Rights in 2000, the state already is moving ahead in patient-privacy protections that anticipate the changes required under HIPAA. The HIPAA privacy rule would prevent any release of patient information beyond that required for patient care and with the patient's knowledge and consent.

Security: HIPAA envisions that all health care entities will have verifiable security. Many analysts predict that these security changes – still to be outlined in a federal rule – will require substantial investment. Adoption of the proposed security standards is anticipated soon and must be met within 26 months.

National Identifiers: HIPAA rules will require that providers, health plans and employers have national identifiers for use with health care transactions. Although identifiers will be difficult to implement, they should facilitate health care business, access monitoring, quality assurance and payment integrity efforts.

Everyone in health care is affected by the upcoming changes

HIPAA applies to every "health care provider," health plan, or clearinghouse – in short, nearly anyone who bills or pays for a health service. This broad definition touches virtually every level of U.S. health care. For example, it includes:

- Doctors and other providers such as chiropractors
- Hospitals
- Health plans (including Medicaid)
- Home health care workers
- Medical suppliers
- Business associates such as attorneys, actuaries, and other consultants

Here's what DSHS is doing: Implementing HIPAA at DSHS

- Washington is among the lead states responding to HIPAA. The Medical Assistance Administration in DSHS has already begun working with health care providers around the state to identify entities that must prepare for the transactional changes.
- With current biennium funding DSHS is focusing initially on the massive transactional changes involved with just the first of nine HIPAA rules. DSHS will partner with other affected state agencies – Department of Health, Labor & Industries, Health Care Authority, and others identified by implementation and assessment tools.
- DSHS is developing a budget and working with the health care community and affected entities to put outreach systems in place and provide information and training on a timely basis. Industry is on board and change is under way.
- As it implements these changes, DSHS is committed to finding business reengineering and E-commerce opportunities that will benefit clients, streamline our relationships with providers and other partners, and lower our health care delivery administrative overhead.

